



BellSouth Telecommunications, Inc.
Suite 2101
333 Commerce Street
Nashville, Tennessee 37201-3300

615 214-6301
Fax 615 214-7406

Guy M. Hicks
General Counsel

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EXECUTIVE SECRETARY

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David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Contested Cost Proceeding to Establish Final Cost Based Rates for
Interconnection and Unbundled Network Elements*
Docket No. 97-01262

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth Telecommunications, Inc.'s Comments on AT&T's Deaveraging Proposal. Copies of the enclosed are being provided to counsel of record for all parties.

Very truly yours,



Guy M. Hicks

GMH:ch
Enclosure

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In Re: *Contested Cost Proceeding to Establish Final Cost Based Rates for Interconnection and Unbundled Network Elements*

Docket No. 97-01262

BELLSOUTH TELECOMMUNICATIONS, INC.'S
COMMENTS ON AT&T'S DEAVERAGING PROPOSAL

I. INTRODUCTION

Pursuant to the April 10, 2000 Notice of the Tennessee Regulatory Authority ("Authority"), BellSouth Telecommunications, Inc. ("BellSouth") respectfully submits the following comments on the deaveraging proposal of AT&T Communications of the South Central States, Inc. ("AT&T"). BellSouth and AT&T were the only parties to file proposals to deaverage the proxy prices established by the Authority in Dockets No. 96-01152 and 96-01271. However, while BellSouth's deaveraging proposal will promote competition in all areas of the State of Tennessee, the same cannot be said for AT&T's proposal, which, if adopted, would eliminate any chance that customers in rural Tennessee will benefit from local competition. Accordingly, the Authority should adopt BellSouth's proposal to deaverage proxy loop prices based upon existing rate groups.

II. DISCUSSION

AT&T and BellSouth agree that the only proxy prices that should be geographically deaveraged are for the local loop. However, BellSouth and AT&T disagree about the appropriate cost model to be used for deaveraging purposes and the methodology by which geographical deaveraging should be accomplished. Both of these issues are addressed below.

A. Cost Model

Both parties acknowledge that a proxy cost model must be used to develop the ratios for the purpose of implementing geographic deaveraging. BellSouth proposes that the Hybrid Cost Proxy Model (“HCPM”) adopted by the Federal Communications Commission (“FCC”) be used for this purpose, while AT&T advocates use of the Hatfield Model.

AT&T proposes that the Authority use the Hatfield Model to “deaverage” proxy loop prices, even though AT&T is not even advocating use of that model to establish permanent loop prices in Tennessee. As reflected in its March 31, 2000 filing, AT&T has abandoned any reliance upon the Hatfield Model and instead is advocating the establishment of proposed permanent loop prices based upon BellSouth’s adjusted cost studies, which are significantly lower than the costs generated by its own model. AT&T does not explain this obvious inconsistency.

AT&T cannot have any serious objection to using HCPM for deaveraging purposes. In fact, AT&T and BellSouth have entered into stipulations in six states to establish geographically deaveraged rates – Florida, Georgia, Kentucky, Louisiana, Mississippi, and South Carolina. In each of these six states, the parties agreed to use either HCPM or the Benchmark Cost Proxy Model (“BCPM”) for deaveraging purposes. The Hatfield Model has not been used to deaverage rates in a single BellSouth state, and no reason exists to use that model here.¹

¹ AT&T makes reference to the Florida stipulation and claims that it “would be willing to accept this process in Tennessee....” AT&T’s Proposal at 3. However, the geographically deaveraged rates AT&T is proposing in Tennessee were developed using the Hatfield Model, which was not used in Florida. Because AT&T is not proposing deaveraged proxy prices using BCPM, which is the model used in Florida, it appears that AT&T is “willing to accept” only parts of the Florida process. AT&T can readily avoid this discrepancy by agreeing to use the HCPM model for deaveraging purposes, which is the model AT&T has agreed to use in five other BellSouth states and has advocated be used to deaverage rates in Alabama as well.

B. Deaveraging Methodology

The only other dispute between AT&T and BellSouth concerns the methodology by which proxy loop prices should be deaveraged. BellSouth has proposed that rates be deaveraged based upon existing rate groups, which would provide more competitive choices to a greater number of customers, including those in rural areas.

By contrast, AT&T is proposing that rates be deaveraged based upon wire centers, which would only ensure lower loop rates in the metropolitan areas at the expense of competition in rural areas. This is clear from comparing BellSouth's proposed deaveraged proxy prices with those put forth by AT&T. For example, take a 2-wire voice grade analog loop, the recurring cost of which on a statewide average basis in Tennessee is \$18.00. If this cost were deaveraged using BellSouth's rate group approach, a CLEC would pay \$15.92 for the loop in Nashville, while the CLEC would pay \$27.18 for that same loop in Cumberland City. Contrast these rates with rates deaveraged by wire center as proposed by AT&T, which would result in a loop rate in Nashville of \$13.39 and a loop rate of almost \$42.00 in Cumberland City. How many customers in Cumberland City or any other rural area of the state of Tennessee are likely to enjoy the benefits of competition when a CLEC must pay approximately \$42.00 for the loop necessary to serve that customer? The answer is "none," and AT&T cannot seriously argue otherwise.

While arguing that deaveraging loop prices based upon existing rate groups would violate FCC rules, AT&T does not cite a single case in support of this argument. Furthermore, AT&T's argument cannot be reconciled with the plain language of the FCC rules. In particular, these rules permit the Authority to establish geographically deaveraged rates using existing density pricing zones for special access and switched transport "or other such cost-related zone plans

established pursuant to state law.” 47 C.F.R. § 51.507(f)(1). This rule clearly recognizes the appropriateness of using existing rate groups for deaveraging purposes.

That the Authority could use existing density pricing zones for special access and switched transport to deaverage proxy loop prices is fatal to AT&T’s argument that “the only relevant considerations in determining geographically deaveraged UNE prices are the forward looking economic cost differences associated with different geographic areas.” AT&T Proposal at 1. AT&T does not contend that existing special access pricing zones reflect “the forward looking economic cost differences” associated with providing special access in different geographic areas. Yet, under the FCC’s rules, the Authority could readily rely upon these existing pricing zones in establishing geographically deaveraged rates.²

AT&T’s criticism that deaveraging based upon rate groups “places both low cost and high cost wire centers in the same zone...” is unconvincing. AT&T Proposal at 4. First, there is no clear line that can be drawn between what constitutes a “low cost” wire center as opposed to a “high cost” wire center. Indeed, according to a witness sponsored by AT&T in proceedings recently in Alabama, drawing this line is “definitely subjective....” See Testimony of Greg Darnell, *In re: Implementation of the Universal Service Requirement of Section 254 of the Telecommunications Act of 1996*, Docket No. 25980, at 424 (Ala. Public Service Commission, Feb. 22, 2000). Second, AT&T apparently is unconcerned about placing “low cost and high

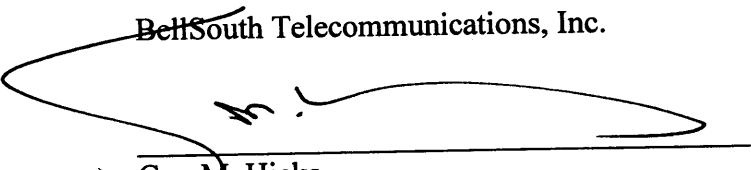
² There is no merit to AT&T’s argument that deaveraging based upon existing rate groups would violate the FCC rules “by considering the revenues included in the services of its rate groups in the development of its deaverage loop prices.” AT&T Proposal at 5. AT&T apparently misunderstands BellSouth’s proposal, because BellSouth is not advocating that revenues from its retail services be included in developing deaveraged loop prices. Rather, BellSouth is simply advocating that existing rate groups be used as the method by which to group wire centers for deaveraging purposes, which the FCC’s rules clearly permit.

cost wire centers in the same zone" in Georgia, Mississippi, and South Carolina, where AT&T has agreed to deaveraged rates based upon BellSouth's existing rate groups.

In establishing geographically deaveraged rates, the Authority can and should take into account the public interest. Here, ensuring that all consumers in Tennessee enjoy the benefits of competition, including consumers in the rural areas of this State, is definitely in the public interest, which is consistent with deaveraging proxy loop prices based upon existing rate groups as proposed by BellSouth. Accordingly, the Authority should adopt BellSouth's geographic deaveraging proposal.³

Respectfully submitted this 19th day of April, 2000.

BellSouth Telecommunications, Inc.



Guy M. Hicks

333 Commerce Street, Suite 2101
Nashville, TN 37201-3300
615/214-6301

R. Douglas Lackey
Bennett L. Ross
675 W. Peachtree St., NE., Suite 4300
Atlanta, GA 30375

206055

³ In its proposal, BellSouth inadvertently omitted a breakdown of the wire centers within each of the three zones BellSouth is proposing that the Authority establish for deaveraging purposes. This information is attached as Exhibit 1 to BellSouth's comments.

TN Wire Centers with UNE Zone Designations¹

TN Wire Center	Wire Center Name	UNE Zone
ACHLTNMT	ADAMS-CEDAR HILL	1
ARTNTNMT	ARLINGTON	1
ASCYTNMA	ASHLAND CITY	1
CHRLTNMT	CHARLOTTE	1
CHTG TNBR	CHTG-BRAINERD	1
CHTG TNDT	CHTG-DODDS	1
CHTG TNHT	CHTG-HARRISON	1
CHTG TNMV	CHTG-MIDD.VALLEY	1
CHTG TNNS	CHTG-NINTH ST.	1
CHTG TNRB	CHTG-RED BANK	1
CHTG TNRO	CHTG-ROSSVILLE	1
CHTG TNSE	CHTG-ST. ELMO	1
CHTG TN SM	CHTG-SIGNAL MT.	1
CHTNTNMT	CHARLESTON	1
CLEVTNMA	CLEVELAND	1
CLTNTNMA	CLINTON	1
CRPLTNMA	CROSS PLNS-ORLN	1
CRVLTNMA	COLLIERVILLE	1
CVTNTNMT	COVINGTON	1
DCTR TNMT	DECATUR	1
DKSNTNMT	DICKSON	1
DNRGTNMA	DANDRIDGE	1
DYTNTNMA	DAYTON	1
EAVLTNMA	EAGLEVILLE	1
FIVLTNMA	FRIENDSVILLE	1
FKLNTNCC	FKLN-COOL SPRINGS	1
FKLNTNMA	FRANKLIN	1
FRVWTNMT	FAIRVIEW	1
GALLTNMA	GALLATIN	1
GDVLTNMA	GOODLETTSVILLE	1
GNBRTNMA	GREENBRIER	1
GRNBTNMA	GREENBACK	1
GTBGTNMT	GATLINBURG	1
GTWSTNSW	MMPH-SOUTHWIND	1
HDVLTNMA	HENDERSONVILLE	1
HIMNTNMA	HARRIMAN	1
JFCYTNMA	JEFFERSON CITY	1
JSPRTNMT	JASPER	1
KGTNTNMT	KINGSTON	1
KNVLTNBE	KNVL-BEARDEN	1
KNVLTNFC	KNVL-FOUNTAIN CY	1
KNVLTNMA	KNVL-MAIN	1
KNVLTNWH	KNVL-WEST HILLS	1
KNVLTNYH	KNVL-YOUNG HIGH	1
LBNNTNMA	LEBANON	1
LKCYTNMA	LAKE CITY	1

LNCYTNMA	LENOIR CITY	1
LODNTNMA	LOUDON	1
MAVLTNMA	MARYVILLE	1
MMPHTNBA	MMPH-BARTLETT	1
MMPHTNCK	MMPH-CHEROKEE	1
MMPHTNCT	MMPH-CHICKASAW	1
MMPHTNEL	MMPH-EASTLAND	1
MMPHTNFR	MMPH-FRAYSER	1
MMPHTNGT	MMPH-GERMANTOWN	1
MMPHTNHP	MMPH-HUMPHREYS	1
MMPHTNMA	MMPH-MAIN	1
MMPHTNMT	MMPH-MIDTOWN	1
MMPHTNOA	MMPH-OAKVILLE	1
MMPHTNSL	MMPH-SOUTHLAND	1
MMPHTNST	MMPH-SOUTHSIDE	1
MMPHTNWW	MMPH-WESTWOOD	1
MRBOTNMA	MURFREESBORO	1
MSCTTNMT	MASCOT	1
MSCWTNMA	MOSCOW	1
MYVLTNMA	MAYNARDVILLE	1
NRRSTNMA	NORRIS	1
NSVLTNAA	NSVL-AIR-AUTH	1
NSVLTNAP	NSVL-AIRPORT	1
NSVLTNBH	NSVL-BURTON HILLS	1
NSVLTNBV	NSVL-BELLEVUE	1
NSVLTNBW	NSVL-BRENTWOOD	1
NSVLTNCD	NSVL-COCKRILL BD	1
NSVLTNCH	NSVL-CRIEVE HALL	1
NSVLTNDO	NSVL-DONELSON	1
NSVLTNHH	NSVL-HICKORY HOLLOW	1
NSVLTNIN	NSVL-INGLEWOOD	1
NSVLTNMC	NSVL-MADISON	1
NSVLTNMT	NSVL-MAIN	1
NSVLTNST	NSVL-SHARONDALE	1
NSVLTNUN	NSVL-UNIVERSITY	1
NSVLTNWC	NSVL-WHITESCREEK	1
NSVLTNWM	NSVL-WEST MEADE	1
OKRGTNMT	OAK RIDGE	1
OLHCTNMA	OLD HICKORY	1
OLSPTNMA	OLIVER SPRINGS	1
PSVWTNMT	PLEASANT VIEW	1
PTLDTNMA	PORTLAND	1
RKWDTNMA	ROCKWOOD	1
SDDSTNMA	SODDY-DAISY	1
SMYRTNMA	SMYRNA	1
SOVLTNMT	SOMERVILLE	1
SPBGTNMA	SOUTH PITTSBURG	1
SPCYTNMT	SPRING CITY	1
SPFDTNMA	SPRINGFIELD	1
SVVLTNMT	SEVIERVILLE	1
TRINTNMA	TRIUNE	1
TWNSTNMA	TOWNSEND	1

VNLRTNMA	VANLEER	1
WHBLTNMT	WHITE BLUFF	1
WHHSTNMA	WHITE HOUSE	1
WHPITNMA	WHITE PINE	1
WHWLTNMA	WHITWELL	1
WTTWTNMA	WATERTOWN	1

ZONE 1

BLGPTNMA	BULLS GAP	2
BNTNTNMT	BENTON	2
CLVLTNMA	CLARKSVILLE	2
CNHMTNMA	CUNNINGHAM	2
FRDNTNMA	FREDONIA	2
JCSNTNMA	JACKSON MAIN	2
JCSNTNNS	JACKSON NRTHSIDE	2
JLLCTNMA	JELICO	2
PLMYTNMA	PALMYRA	2
SANGTNMT	SANGO	2

ZONE 2

ATHNTNMA	ATHENS	3
BGSNTNMA	BIG SANDY	3
BLLSTNMA	BELLS	3
BLNCTNMT	BLANCHE	3
BLVRTNMA	BOLIVAR	3
BTSPTNMA	BETHEL SPRINGS	3
BWVLTNMA	BROWNSVILLE	3
CLDGTNMA	CUMBERLAND GAP	3
CLMATNMA	COLUMBIA	3
CMCYTNMT	CUMBERLAND CITY	3
CMDNTNMA	CAMDEN	3
CNVLTNMA	CENTERVILLE	3
CRHLTNCB	COPPER HILL	3
CRHTNMA	CARTHAGE	3
CULKTNMA	CULLEOKA	3
DOVRTNMT	DOVER	3
DYBGTNMA	DYERSBURG	3
DYERTNMT	DYER	3
ETWHTNMT	ETOWAH	3
FLVLTNMA	FLINTVILLE	3
FYVLTNMA	FAYETTEVILLE	3
GBSNTNMT	GIBSON	3
GDJTTNMA	GRAND JUNCTION	3
GLSNTNMA	GLEASON	3
GNFDTNMT	GREENFIELD	3
HHNWTNMA	HOHENWALD	3
HLLSTNMT	HALLS	3
HMBLTNMA	HUMBOLDT	3
HMPSTNMA	HAMPSHIRE	3
HNLDTNMA	HUNTLAND	3
HNNGTNMA	HENNING	3

HNSNTNMT	HENDERSON	3
HNTGTNMA	HUNTINGDON	3
HRFRTNMA	HARTFORD	3
HRNBTNMT	HORNBEAK	3
HTVLTNMA	HARTSVILLE	3
KNTNTNMA	KENTON	3
LFLTNTMA	LAFOLLETTE	3
LRBGTNMA	LAWRENCEBURG	3
LWBGTNMA	LEWISBURG	3
LXTNTNMA	LEXINGTON	3
LYBGTNMT	LYNCHBURG	3
LYLSTNMA	LYLES	3
LYVLTNMA	LYNNVILLE	3
MCKNTNMA	MCKENZIE	3
MCWNTNMT	MCEWEN	3
MDTNTNMA	MIDDLETON	3
MDVITNMT	MADISONVILLE	3
MEDNTNMA	MEDINA	3
MILNTNMA	MILAN	3
MNCHTNMA	MANCHESTER	3
MNPLTNMA	MOUNT PLEASANT	3
MRTWTNMA	MORRISTOWN	3
NWBRTNMA	NEWBERN	3
NWPTTNMT	NEWPORT	3
PARSTNMA	PARIS	3
PLSKTNMA	PULASKI	3
PTBGTNMA	PETERSBURG	3
RDGLTNMA	RIDGELY	3
RPLYTNMA	RIPLEY	3
RRVLTNMA	ROGERSVILLE	3
SEWNTNMW	SEWANEE	3
SHVLTNMA	SHELBYVILLE	3
SLMRTNMT	SELMER	3
SMTWTNMA	SUMMERTOWN	3
SNTFTNMA	SANTA FE	3
SNVLTNMA	SNEEDVILLE	3
SPHLTNMT	SPRING HILL	3
SRVLTNMA	SURGOINSVILLE	3
SVNHTNMT	SAVANNAH	3
SWTWTNMT	SWEETWATER	3
TLLHTNMA	TULLAHOMA	3
TPVLTNMA	TIPTONVILLE	3
TROYTNMT	TROY	3
TRTNTNMA	TRENTON	3
UNCYTNMA	UNION CITY	3
WHVLTNMT	WHITEVILLE	3
WLPTTNMA	WILLIAMSPORT	3
WNCHTNMA	WINCHESTER	3
WRTRTNMT	WARTRACE	3
WVRLTNMT	WAVERLY	3

ZONE 3

¹Note: Zones reflect Major Metropolitan, Minor Metropolitan, and Rural areas by grouping existing GSST Exchange Rate Groups:

Zone 1 = Exchange Rate Groups 5 and 4

Zone 2 = Exchange Rate Group 3

Zone 3 = Exchange Rate Groups 2 and 1

CERTIFICATE OF SERVICE

I hereby certify that on April 19, 2000, a copy of the foregoing document was served on the parties of record as indicated:

☒ Hand
☐ Mail
☐ Facsimile
☐ Overnight

Richard Collier, Esquire
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0500

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Henry Walker, Esquire
Boult, Cummings, et al.
414 Union Ave., #1600
P. O. Box 198062
Nashville, TN 39219-8062

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Dana Shaffer, Esquire
NEXTLINK
105 Malloy Street, #300
Nashville, TN 37201

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Erick Soriano
Kelley, Drye & Warren
1200 19th St., NW, #500
Washington, DC 20036

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

James Wright, Esq.
United Telephone - Southeast
14111 Capitol Blvd.
Wake Forest, NC 27587

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Jon Hastings, Esquire
Boult, Cummings, et al.
414 Union St., #1600
Nashville, TN 37219

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Val Sanford, Esquire
Gullett, Sanford, Robinson & Martin
230 Fourth Ave., N., 3d Fl.
Nashville, TN 37219-8888

☐ ~~Hand~~
☒ Mail
☐ Facsimile
☐ Overnight

Vincent Williams, Esquire
Office of the Attorney General
Consumer Advocate Division
426 Fifth Ave., N., 2nd Fl.
Nashville, TN 37243-0500

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Don Baltimore, Esquire
Farrar & Bates
211 Seventh Ave., N., #320
Nashville, TN 37219-1823

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Charles B. Welch, Esquire
Farris, Mathews, et al.
205 Capitol Blvd, #303
Nashville, TN 37219

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

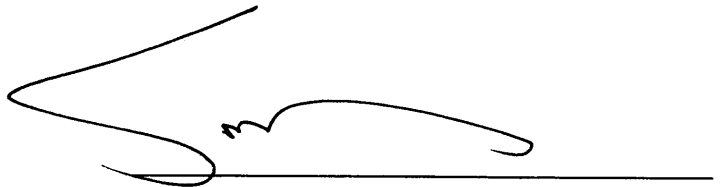
Kenneth Bryant, Esquire
Trabue, Sturdivant & DeWitt
511 Union St., #2500
Nashville, TN 37219-1738

☐ ~~Hand~~
☒ Mail
☐ Facsimile
☐ Overnight

William C. Carriger, Esquire
Strang, Fletcher, et al.
One Union Square, #400
Chattanooga, TN 37402

☐ ~~Hand~~
☒ Mail
☐ Facsimile
☐ Overnight

James P. Lamoureux
AT&T
1200 Peachtree St., NE, #4068
Atlanta, GA 30367

A handwritten signature in black ink, appearing to be "J. Lamoureux", written over a horizontal line.